

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4430-03
BILL NO.: Perfected SB 1017
SUBJECT: Transportation Funding
TYPE: Original
DATE: March 30, 2000

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| None | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>All</u> State Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| None | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|---------|---------|---------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| Local Government | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

In response to the prior version of this proposal, officials of the **Department of Transportation (MoDOT)** assumed the impact of the proposal is uncertain since it does not require the issuance of bonds; therefore, no cost is necessarily incurred. However, should the department exercise the provisions of the proposal, any proceeds would be net of expenses as shown below.

This legislation allows for \$2 billion in bonds over five years. Therefore, MoDOT calculations estimate \$400 million per year, for a grand total of \$2 billion over the five years.

| | <u>FY 01</u> | <u>FY02</u> | <u>FY03</u> |
|--|-----------------------|-----------------------|-----------------------|
| Bond Issuance | \$400,000,000 | \$400,000,000 | \$400,000,000 |
| Less: | | | |
| Issuance Costs (2%) | (\$8,000,000) | (\$8,000,000) | (\$8,000,000) |
| Cumulative Interest (6%) | (\$24,000,000) | (\$47,000,000) | (\$69,000,000) |
| Preliminary Engineering (Plans Prep., 7%) | | (\$24,000,000) | (\$23,000,000) |
| Construction Engineering (Inspection, 10%) | <u>(\$37,000,000)</u> | <u>(\$35,000,000)</u> | <u>(\$32,000,000)</u> |
| Net For Construction & Right of Way | \$331,000,000 | \$286,000,000 | \$268,000,000 |

MoDOT also notes that the requirement for the bond term not to exceed 15 years increases the annual debt service amount by 32% as compared to the 25-year term bond (at 6% interest).

Officials of the **Office of Administration (OA)-Division of Budget and Planning** assume the proposal may result in costs to OA divisions. Costs could result if it proved necessary to travel to make presentations before bond rating agencies and respond to their questions. OA officials also assume the proposal could result in a positive, unknown impact on total state revenues (TSR). While bond proceeds are excluded from TSR, interest earned on bond proceeds is not excluded. Thus, if MoDOT sold bonds after receiving authorization from the legislature as envisioned in the proposal, the interest earned on the bond proceeds would count against TSR. The actual impact in any given fiscal year is undeterminable since it would depend on the amount of bonds issued, the length of time it took MoDOT to complete projects (and thereby expend the bond proceeds), and the interest rate earned on the bond proceeds.

Oversight assumes that this proposal does not authorize the issuance of bonds, but simply would enable the General Assembly, contingent upon acceptance of a plan from the highways and transportation commission, to authorize the commission to issue bonds. Therefore, no costs related to bond issuance are reflected in this fiscal note.

ASSUMPTION (continued)

Oversight notes that amendments to the previous version of the proposal include a provision requiring contracts in excess of \$100,000 entered into by MoDOT to be reviewed for legal form and content by the Office of the Attorney General. In response to a similar proposal, MoDOT assumed they would require one additional clerk FTE to handle copying, logging out, logging in, and filing of contracts and transmittal documents. MoDOT estimated the costs for personal services, fringe benefits and related equipment and expense would be \$37,344, \$37,909 and \$38,859 for fiscal years 2001, 2002 and 2003, respectively. Oversight assumes MoDOT could comply with this provision with existing staff and resources.

Officials of the **Office of the Attorney General (AGO)** assumed they would need one Assistant Attorney General II, with total related costs of \$52,989, \$54,627 and \$56,055 for fiscal years 2001, 2002 and 2003, respectively, in order to review contracts of MoDOT in excess of \$100,000. In response to another proposal requiring the Office of the Attorney General to review contracts of all state agencies (with no dollar amount specified), AGO officials also assumed they would need one FTE. Oversight notes that this proposal requires the AGO to review only contracts by MoDOT in excess of \$100,000. Since there would be a significantly smaller number of contracts to be reviewed by the AGO, Oversight assumes existing staff of the AGO could perform these duties.

Oversight assumes the other amendments included in this version of the proposal would have no fiscal impact.

| <u>FISCAL IMPACT - State Government</u> | FY 2001 (10 Mo.) | FY 2002 | FY 2003 |
|---|---------------------|---------|---------|
| | \$0 | \$0 | \$0 |

| <u>FISCAL IMPACT - Local Government</u> | FY 2001 (10 Mo.) | FY 2002 | FY 2003 |
|---|---------------------|---------|---------|
| | \$0 | \$0 | \$0 |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

L.R. NO. 4430-03
BILL NO. Perfected SB 1017
PAGE 4 OF 4
March 30, 2000

DESCRIPTION

The proposal permits the General Assembly to authorize the Highways and Transportation Commission to issue bonds from fiscal year 2001 to 2005 in amounts not to exceed \$2 billion. Amounts shall not exceed \$500 million in any one fiscal year. To obtain this funding the Highways and Transportation Commission must annually present to the General Assembly a proposed plan and analysis demonstrating the feasibility and appropriateness of the plan to be implemented.

The proposal would require the Office of the Attorney General to review contracts entered into by the Department of Transportation in excess of \$100,000 for legal content and form.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
Office of Administration
Office of the Attorney General



Jeanne Jarrett, CPA
Director
March 30, 2000